



Glendale Area Schools Federal Credit Union

NCUA
1775 Duke Street
Alexandria, VA 22314
Attn.: Mary Rupp, Secretary of the Board

April 2, 2009

1896

The term 'capitalistic cannibalism' is not a phrase derived from left-wing or Marxist politics. It is a phrase found in 19th Century Catholic pronouncements. It is a phrase that says when capitalism stops being productive, and preys on others within the economy, it's benefit to humanity has stopped. Is that not what we are experiencing when the NCUA shakes down the natural person credit union to benefit the corporate credit union? We are the prey.

With all due respect where have you been? The NCUA has for the past ten years maintained full time paid professional staff on site at these corporate "challenged" credit unions. Do you suggest the NCUA failed to adequately identify this massive train wreck? GASFCU has been building our net worth for our rainy day not for the corporate rainy day. When is the last time the NCUA called on a corporate credit union to bail out a natural person credit union?

Basic ALM modeling prohibits taking member overnight deposits and going long on bond. This is exactly what the corporates have been chasing – the long. Now they are stuck in a cesspool of toxic waste. The corporate funding is basically unsecured loans from large investors that have exited the corporate system due to their pathetic plight. Corporate capital is so skinny they would be wiped out if forced to liquidate these toxic investments. If GASFCU ran its ALM like the corporate you would have placed us in conservatorship. Now you placed the corporate into conservatorship. What took you so long? Will anyone at the NCUA step up to the plate and take responsibility for gross mismanagement in their on sight over sight function? What has the NCUA been doing at WesCorp these past ten years to miss this massive buildup of filthy stinking investments?

NCUA LETTER NO.: 08-CU-17 states: "Corporate credit unions have proactively prepared for the downturn in the prime and sub-prime mortgage markets. The corporate credit unions have very strong liquidity positions...The combination of strong liquidity positions and the ability to hold these securities to maturity indicate that corporate credit unions are well positioned to continue to meet members' liquidity needs." Please advise what went wrong? GASFCU bought into the NCUA SIP to the tune of \$85 Million. The .25bps return totaling \$212,500 seemed like a fair return for our participation in the corporate bailout. Little did we realize you would take it all back and then some with this shakedown.

The NCUA indicated they could not trust the accuracy of the corporate valuation of the securities. Now the NCUA says to trust the PIMCO values while refusing to make public the findings. Where is the transparency?

GASFCU has \$1,250,000 member capital at WesCorp. The NCUA now calls this a total loss to be expensed immediately. Since when does the NCUSIF insure corporate paper losses? WesCorp is holding this polluted pool of garbage investments to maturity. Let us pray this garbage will improve like wine in time. Why the immediate rush to wipe out the \$2.1 Billion of credit union capital? The NCUA has effectively raped, pillaged and plundered \$2.1 Billion of member credit union capital. Is anyone regulating the regulator?

THE CORPORATE CREDIT UNION ROLL GOING FORWARD

The NCUA has failed to regulate the corporates. The corporates are lacking liquidity because they bought long term investments with overnight funds. The corporate behaved like hedge funds bundling large amounts of cash for investments not matched to the overnight, short term, funding source. So now the corporate are taking our liquidity at a time when they should be supplying liquidity. Corporate investments should be restricted to the same investments allowed natural person credit unions. The expanded authorities granted to the corporates have in large measure created the pathetic plight we now face. The NCUA should repossess the expanded authority previously granted.

The corporates pose a greater risk to the NCUSIF and should be held to a higher standard of capitalization than natural person credit unions. Member Capital Accounts should be 4.0% with an equal 4.0% of permanent capital. This level of credit union buy-in at each corporate will eliminate natural person credit union rate shopping and the related excessive risks associated.

TWO TIERED SYSTEM

In a word abolish it. Excessive concentrations of risk resulted in US Central. US Central is just another fat laden layer of corporate operating expense. To pay for the fat US Central took on excessive risk in chasing rates to cover their operating expenses. The corporates have gambled with an unstable natural person overnight funding source not matched to their investments. Did the on sight NCUA examiners miss something here? How do you spell ALM?

FIELD OF MEMBERSHIP

In a word restrict it. The global field of membership expansion granted to the corporate created the unrealistic expansion plans of a few select corporate whores. At great risk to capture market share these corporate whores offered above market rates. The above market rates were paid from risky investments. The risky investments came from the NCUA expanded investment authority granted to these corporates. And there you have it. WesCorp invested in sub-prime real estate loans, student loan and credit card portfolios. When folks default on their sub-prime mortgage do you really think they are going to keep current on their student loan or credit card installments? Again how did the NCUA miss this stinking stench of such an investment portfolio? We get a DOR (Document Of Resolution) write up for failing to dot the i or cross the t on a BSA (Bank Secrecy Act) report. At WesCorp the NCUA just let it all hang loose.

CORPORATE PERMISSIBLE INVESTMENTS

In a word restrict it. Corporate investments should be restricted to the same securities as natural person credit unions.

CORPORATE GOVERNANCE

The majority of CEO's sitting on the WesCorp Board reported negative income through 12-2008. To start might we expect our corporate Board of Directors operate their respective credit union with a positive ROA? One WesCorp Director hails from a privately insured state chartered credit union. Being outside of the NCUSIF this state chartered credit union does not have the opportunity to experience this strong arm NCUA shakedown. Now how fair is that? How equitable is this NCUA sanctioned extortion when state chartered privately insured credit unions escape this expense and assessment. Negative ROA credit unions are in no position to sit on the Corporate Board. If they can't competently manage their natural person credit union what can they add to the fund of knowledge at a corporate? State and

/s/

Federal Trade Association representation on corporate boards should be prohibited. If you don't have a dog in the race you should not be permitted to participate in governance. Corporate credit union management should be restricted from serving on other corporate credit union boards. For years, it has been the good old boys network with the WesCorp CEO and the CCUL President serving on U.S. Central. Such self-serving cross-pollination adds no value and borders on incest. This widespread practice is not the exception to the rule but rather is the rule.

NCUA GOING FORWARD

It appears the complexity of the corporate investment portfolio exceeded the expertise of the on sight NCUA examiners. Clearly the huge levels of borrowed funds at the corporate relative to their capital escaped NCUA attention. It is amusing the NCUA arranged CUSIP so natural person credit unions could provide liquidity to the corporate. How do you say: role reversal? Does anyone at the NCUA find it curious that within a matter of days, without warning, the corporate system could impair the NCUSIF to trigger a 69% write-down? When the corporates needed Prompt Correction Action (PCA) the NCUA lacked the competence to administer it.

GASFCU

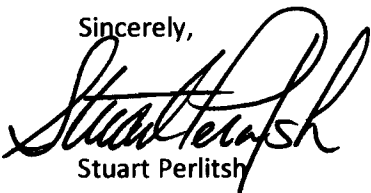
As of February, 2009 GASFCU has assets of: \$329,388,789 and Net Worth totaling: \$29,375,255 (8.90%) and a ROA exceeding 1.0%. GASFCU appreciates our tax exempt status but as of lately it is becoming increasingly expensive to support it. I am available for consultation and will waive my standard \$350 hourly fee in keeping with the spirit of people helping people.

ECONOMIC HARD TIMES

The corporate credit union excuse of late is to blame all things gone bad on the economy. Instead of taking responsibility for gross incompetence the corporates play the blame game. With all due respect we have maintained a positive ROA exceeding 1.0% for the past several years so let's not blame it on the economy. Instead these corporate pseudo-intellectuals should take responsibility for their failed business model. A business model based on a series of bad bets on borrowed money. The NCUA must step up to the plate and accept responsibility for permitting this to occur on their watch. The NCUA fired these corporate CEO's and investment officers. Has the NCUA fired those responsible for the lack in over sight at the agency?

I trust your request for comments regarding proposed rules for corporate credit unions was indeed genuine. As such I hope this letter was not a futile exercise in mental masturbation.

Sincerely,



Stuart Perlitsh
CEO

CC: NAFCU CEO Fred Becker
NCUA Chairman Michael E. Fryzel
NCUA Vice Chairman Rodney E. Hood
NCUA board member Gigi Hyland
CCUL CEO William Cheney
Board of Directors, GASFCU